PRIVATE RENTAL HOUSING IN OTTAWA-CARLETON

Discussion Paper

12-50

Table of Contents

1.0 INTRODUCTION		1
2.0 CHARACTERISTICS OF RENTAL STOCK		2
2.1	Existing Rental Stock	2
2.2	Distribution of Rental Stock	3
2.3	Rental Prices	3
2.4	Affordability of Rental Stock	4
2.5	Vacancy Rates	5
3.0 SUPPLY OF PRIVATE RENTAL UNITS		7
3.1	Rental Construction	7
3.2	Characteristics of New Rental Stock	8
3.3	Loss of Rental Units	9
4.0 PROJECTIONS		10
5.0 LAND SUPPLY		10
6.0 RENT REVIEW		11
7.0 PROGRAMS TO STIMULATE PRIVATE RENTAL CONSTRUCTION		12
8.0 SUMMARY OF FINDINGS		13
9.0 CONCLUSIONS		13
10.0 RECOMMENDATION		14
ANNEX A		15
ANNEX B		16

1.0 INTRODUCTION

This paper on market rental housing is one of a series of background papers prepared for the 1990 Regional Housing Statement Update (RHSU). This paper deals primarily with market rental housing; a separate background paper has been completed which covers social housing.[1] The RHSU will provide a review of the housing situation in Ottawa-Carleton and a comprehensive regional approach to housing. Rental housing is a major component of the housing stock in Ottawa-Carleton, providing housing to nearly half of the households in the Region.

In recent years, the availability and affordability of rental accommodation have been the subject of frequent debate. The trend toward a loss of lower priced rental units coupled with a recent sharp decline in the construction of privately initiated rental units are warnings that shortages of rental units may become severe.

This paper will examine the characteristics of the private rental housing stock in Ottawa-Carleton as well as its supply over the last few years and the projected demand and production up to the year 2011.

The first part of the paper provides information on the existing private rental stock including types of units, their distribution within Ottawa-Carleton, rental prices, the affordability of the rental stock and vacancy rates. The second part looks at the supply of new private rental units over the last ten years and the characteristics of the new stock. The third part looks at the projected demand for market rental housing. The paper also deals with the issues of land supply as well as the existing and past legislation affecting the private rental market, including rent controls.

---

1 RMOC, Planning Department, "Social Housing in Ottawa-Carleton, Catching Up to the Demand," August 1990.

2.0 CHARACTERISTICS OF RENTAL STOCK

2.1 Existing Rental Stock

In 1989, 121,648 dwelling units in Ottawa-Carleton were in rental tenure, representing 48% of the occupied dwellings in the Region. This was unchanged from 1986, when Ottawa-Carleton had the second highest proportion of rental housing in Canada (Montreal had 55%). For Canada as a whole, 62% of residences were owned and 38% were rented. In Ontario, the ratio was 64% owned to 36% rented.

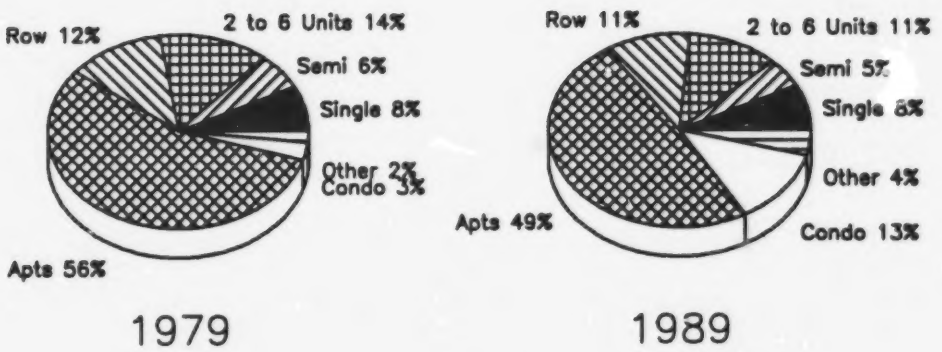
In 1989, about one-half of the rental units were in rental apartment buildings. The remaining rental units were contained in a variety of different structure types, with rental rowhouses (10.6%), condominium rowhouses (10.2%) and single detached (7.6%) being the most common (Figure 1 or Table 1).

Approximately 17,300 units or 14% of the rental stock were owned by governmental agencies and non-profit housing organizations. An additional 1,500 privately owned units were being leased by the Ottawa-Carleton Regional Housing Authority and rented on a rent-geared-to-income basis. The non-profit stock consisted of approximately 56% apartments, 36% rowhouses, and 8% mixed and other dwelling types.

Over the past decade, the private rental market was significantly modified by the construction of a large number of condominiums for rent. In 1979, about 15% of condominiums were being rented (2,775 units); in 1989, 42% of condominiums (15,225 units) were tenant occupied. This change is primarily the result of more favourable tax benefits to investors in projects that are registered as condominiums and rented, as compared to purpose-built rental projects. As well, developers, seeking to avoid conversion controls, prefer to build condominiums.

Figure 1

Rental Units By Type
RMOC



Source: Provincial Assessments

2.2 Distribution of Rental Stock

Table 1 shows the distribution of tenant occupied households throughout the region by unit type. As well, the table presents the percentage of each municipality's occupied households that is in rental tenure.

Both Ottawa and Vanier have very significant percentages of their occupied households in rental tenure. Vanier has the highest ratio of rental units, representing 72% of its total housing stock. Nearly 70% of the Region's rental households are located in the City of Ottawa where the majority (57%) reside in apartments.

2.3 Rental Prices

Between 1981 and 1989 the average rental prices have increased faster than the Consumer Price Index (CPI) for the same period. The CPI has increased by 51% since 1981 while the average rent has increased by 61% for a bachelor, by 63% for a 1 bedroom unit, by 68%

Table 1

Occupied Households - Rental Tenure

1989	Cumberland	Osgoode	Glou-cester	Vanier	Rock-cliffe	Nepean	Ottawa	Rideau	Goul-bourn	Kanata	West Carleton	RMOC Rental Total
Single	799	361	1,417	182	84	1,306	3,650	262	386	444	342	9,233
Attached	51	15	352	72	4	831	4,501	5	18	144	6	5,999
Duplex	17	6	163	1,261	5	4	4,461	22	9	1	13	5,962
3-6plex	29	0	30	1,329	6	0	6,188	10	24	3	6	7,625
Row	0	0	864	0	0	2,621	9,211	7	2	231	14	12,950
Apts	49	88	2,761	3,164	0	5,190	47,758	90	110	321	35	59,566
Rooming	3	1	0	2	0	0	149	0	0	0	0	155
Condos	729	0	4,526	230	1	3,550	5,103	0	16	1,069	0	15,224
Apt	0	0	0	190	0	0	2,452	0	0	0	0	2,642
Town	692	0	4,515	38	0	3,550	2,551	0	16	1,069	0	12,431
High	37	0	11	2	0	0	100	0	0	0	0	150
Coops	0	0	252	33	0	221	1,844	0	0	62	0	2,412
Mobile	145	123	63	0	0	234	0	5	67	0	18	655
Farm	84	61	120	0	0	98	0	80	79	32	110	664
Other	28	26	314	16	1	140	596	21	38	7	17	1,204
Total Rental	1,934	681	10,862	6,289	100	14,195	83,461	502	749	2,314	561	121,648
Total Occupied Households	10,973	4,136	31,267	8,676	718	36,408	136,204	3,614	4,781	10,828	4,450	252,055
% Rental	17.6%	16.5%	34.7%	72.5%	13.9%	39.0%	61.3%	13.9%	15.7%	21.4%	12.6%	48.3%

Source: Provincial Assessment, 1989

for a two bedroom unit and by 65% for a three bedroom unit. Table 2 shows the average monthly rent by unit size since 1981 for privately initiated apartments in projects of six or more units. Annex A shows the distribution of average rents in Ottawa-Carleton in 1989.

New apartments coming on stream tend to be more expensive. Table 3 shows the average rent by unit size for all units in CMHC's survey sample and for units completed in 1989. Newly completed one and two bedroom units were 32% to 35% more expensive than the average for all units of that size. New three bedroom units were 18% more expensive than the average.

The high prices of newly completed units reflect a number of factors, including marketing strategies, the effect of rent review, and the cost of construction. For example the building industry has begun to tap the "empty nesters" market which has more available income to pay higher rents. Also, rent review may have created a bias toward higher priced rental units. Because there are no controls on initial rents, landlords are encouraged to charge high initial rents.

Since about the mid-80s, rents in the older (pre-1976) stock have been increasing faster than in the newer stock. During 1989, pre-1976 units increased by about 5% on average, while post-1975 units increased by less than 2%. Low vacancy rates in the older stock, combined with more generous rent increases permitted as of right under the rent review system which came into effect in 1986 have probably contributed to this.

2.4 Affordability of Rental Stock

The 1981 and 1986 Census, as well as more recent data collected by the Regional Social Services Department[1], indicate a trend towards increasing affordability problems for tenants, particularly for singles.

Table 2
Ottawa CMA
Average Monthly Rent
Privately Initiated Apartments With Six or More Units

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Bachelor	$242	$273	$293	$314	$339	$354	$359	$371	$390
One Bedroom	$299	$331	$368	$388	$420	$437	$447	$471	$489
Two Bedroom	$367	$412	$452	$467	$514	$540	$570	$594	$619
Three Bedroom	$441	$523	$537	$567	$603	$618	$668	$709	$727
Average	$324	$364	$383	$420	$457	$476	$498	$524	$544
% Average Change		12.3%	5.2%	9.7%	8.8%	4.2%	4.6%	5.2%	3.8%

Source: CMHC, Rental Market Survey

1 RMOC, Report to Social Services Committee, "Housing Affordability and Implications of Housing Policy on Social Assistance Clients", June 1990.

Table 3

Average Rent for Newly Completed Units
and for All Units
Ottawa CMA October 1989

	Average Rent All Units Oct 89	Average Rent Newly Completed Units (in 1989)	Difference
Bachelor	$390	N/A	N/A
One Bedroom	$489	$647	$158
Two Bedroom	$619	$833	$214
Three Bedroom	$727	$855	$128

Source: CMHC

The number of tenants who have difficulty affording their rent is estimated from the number of tenant households who spend more than 30% of their income on shelter costs. Of the total 108,930 tenant households in RMOC in 1986, approximately 81,930 lived in private market housing and more than 30,000 had affordability problems. Between 1981 and 1986, the number of such persons increased by 25%. Fully 37% of all tenants in market housing were paying more than 30% of their income on rent in 1986.

The affordability problem is primarily attributable to a decrease in the number of lower priced units. For the purpose of this analysis, a lower priced unit is defined as having a rent equal to or lower than the 1981 average rental price. For the years 1985 and 1989 the 1981 average rents for each bedroom count[1] were indexed to the Consumer Price Index. Using this definition, we find that there were 20,739 lower priced units in the RMOC in 1981 and that this number had fallen to 13,999 units by 1989, a 32% decrease. The losses in the number of lower priced units were the result of demolitions, conversions or higher rents. Losses were experienced in every rental unit size, from bachelors up to 3 bedrooms but were more severe for bachelors (46%) and one bedroom units (36%). This loss of 6,740 lower priced units means that it is much harder for low income tenants to find affordable housing.

2.5 Vacancy Rates

In April 1990, Ottawa-Carleton had a vacancy rate of 1.9%, which is lower than the national vacancy rate in metropolitan areas (2.9% in April 1990). However, it is somewhat higher than the average vacancy rate of metropolitan areas in Ontario (1.5%). The Hull vacancy rate is traditionally higher than in Ottawa-Carleton, averaging 4.2% in the last decade.

Vacancy rates are significantly lower in row houses (0.3%) than in apartments (1.9%). As well vacancy rates are lower for pre 1976 apartments (1.7%) compared to post 1976 apartments(2.6%). Most vacancies occur in the newer, more expensive units.

Most experts including CMHC agree that a vacancy rate between 2.0 and 3.0% is generally considered necessary to ensure a balanced rental market. Figure 2 shows the vacancy rate for apartments with six or more units in the Ottawa CMA from 1966 to 1990 (Annex B shows the vacancy rate by areas and bedroom count). Since 1966 the apartment vacancy rate in the

1 This was calculated from CMHC Rental Market Surveys using a sample of apartments in structures with six units or more. This sample represents approximately 85% of the total private rental market.

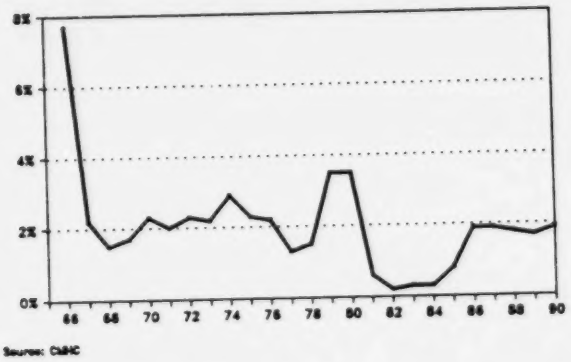
Ottawa CMA has reached 3% only in 1979 and 1980, a period of a high rate of out-migration and relatively high rate of residential construction. Also contributing to this was the aging of the baby-boom generation, who were forming families and moving into home ownership.

Ottawa-Carleton experienced a very low vacancy rate during the five year period between 1981 and 1985, averaging 0.4%. This is attributable to a sharp increase in net migration, a high level of household growth and an economic recession resulting in a tighter housing market with fewer vacancies.

In Figure 3 the apartment vacancy rates since 1976 are compared to net-migration and rental completions. As can be seen from this figure , both the rate of rental construction and the level of net migration affect the vacancy rates. The graph indicates a particularly strong inverse relationship between the vacancy rate and the level of net migration to the region.

Figure 2

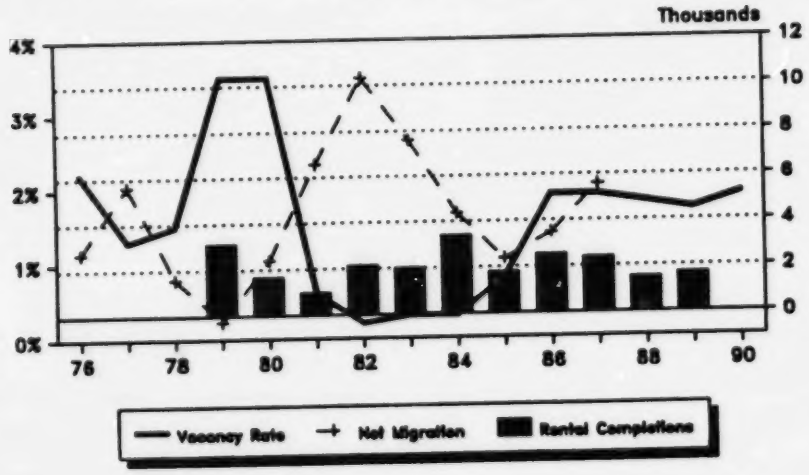
Apartment Vacancy Rates
RMOC 1966 – 1989



Source: CMHC

Figure 3

Vacancy Rates, Net Migration and Rental Housing Completions, RMOC



Source: CMHC; Statistics Canada; Provincial Assessments

3.0 SUPPLY OF PRIVATE RENTAL UNITS

3.1 Rental Construction

Table 4 shows the average annual increase in occupied rental units between each five year census period from 1961 to 1986. The number of rental units added annually during each five year census period has been relatively even (except for 1971-1976). The ratio of rental to owner occupied units has varied only slightly since 1961 in Ottawa-Carleton fluctuating between 47% and 51%.

Table 4

Occupied Dwellings By Tenure
RMOC

	Owned	Rented	Rental Units as Percent of Total Households	Average Annual Increase In Rentals Over Previous Five Years
1961	48,953	43,180	46.9%	
1966	56,063	56,123	50.0%	2,589
1971	68,195	69,054	51.3%	2,586
1976	86,515	87,730	50.3%	3,735
1981	102,065	98,420	49.0%	2,138
1986	118,370	109,755	48.0%	2,267
*1989	130,407	121,648	48.3%	

Source: Census of Canada

* Source: Housing Occupancy Analysis System

Table 5 shows rental starts by municipality from 1979 to 1989. The peak years during this period were 1982 and 1983. These were the years with the lowest apartment vacancy rates and also the years when the last of the major government programs designed to stimulate the production of private rental projects were available (see section 7.0 below). Approximately 45% of the private rental starts were developed under these programs in each of 1981 and 1983 and about 75% in 1982.

Table 5

Rental Starts By Municipality

(Including condominium projects used as rental projects)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Ottawa	1001	255	926	2068	1063	904	1019	938	1350	969	301
Gloucester	507	425	502	88	142	654	500	123	225	177	25
Nepean	122	218	66	295	639	335	376	434	280	444	118
Kanata	0	0	0	144	116	0	238	8	112	8	0
Cumberland	0	10	155	24	1	0	0	90	187	0	64
Vanier	50	271	6	0	251	0	2	3	0	12	0
Other	0	0	96	1	32	8	0	39	0	0	0
Total	1680	1179	1751	2620	2244	1901	2135	1635	2154	1610	508
private starts			1103	1961	1496	1636	1743	1127	1644	978	405
as % of total rental starts			63%	75%	67%	86%	82%	70%	76%	61%	80%

Source: CMHC

Approximately 55% of rental construction in the Region between 1981 and 1989 occurred in the City of Ottawa. Nepean and Gloucester each accounted for about 17% of the Region's rental construction. In spite of its high ratio of rental units, Vanier had few rental starts during this period.

Table 5 also shows that the number of privately initiated rental starts have exceeded 1,100 units every year since 1981 except for 1988 and 1989 where there has been a substantial decrease. There were only 978 private rental starts in 1988 and only 405 starts in 1989. The 1989 starts represent just one quarter of the average number of private rental starts for the period between 1981 and 1987 and a quarter of the expected annual demand in Ottawa-Carleton (see section 4.0). This sharp decrease in private rental starts can be attributed in part to high interest rates, a surplus in the stock of condominiums and a higher level of vacancy rate among newer units (2.6% in April 1990).

3.2 Characteristics of New Rental Stock

Table 6[1] shows the structure type of new rental units reported by the Housing Occupancy Analysis System[2] (HOAS) between 1983 and 1988. Almost all of the "unspecified" units are actually condominiums (condominiums were not classified by their structure type in 1983). Nearly 60% of the new units built between 1983 and 1988 that were in rental tenure in 1988 were in condominium buildings. Many of these condominium units were marketed as tax shelter investments and are managed by real estate companies as rental properties. It cannot be assumed that these units will remain as part of the permanent stock of rental housing since the tax benefits are depleted after 7 to 10 years.

Table 6
New Rental Units
RMOC 1983 - 1988

	Tenant Occupied Units	
Single Detached	1,375	9.7%
Attached	717	5.1%
Duplex to Sixplex	100	0.7%
Row Rental	1,163	8.2%
Apt. Rental	2,386	16.8%
Row Condominium	766	5.4%
Apt. Condominium	1,154	8.1%
Unspecified	6,392	45.1%
Other (not categorized)	122	0.9%
Total	14,175	

Source: Housing Occupancy Analysis System

Slightly less than 25% of new rental units (3,549 units) were in rental row and apartment buildings (ie. purpose built rental units). The remaining 2,580 new rental units were in a variety of structure types including 'plexes', doubles, with about one-half being single detached units.

Approximately 2,500 of the new rental units added between 1983 and 1988 were non-profit housing, including 1,405 row units and 830 apartments. Non-profit housing accounted for over 65% of the new purpose built rental row and apartment units (ie. excluding con-

1 Table 6 does not correspond exactly to Table 5 because the source of information and methods of collecting the information is different and Table 6 includes changes in tenure that occured in existing buildings.

2 The Housing Occupancy Analysis System is a computer program that was designed to compare, on a property by property basis, Provincial Assessment data between any two years.

dominiums) constructed between 1983 and 1988.

3.3 Loss of Rental Units

The Housing Occupancy Analysis System was used to examine gains and losses in the housing stock in Ottawa-Carleton between 1983 and 1988. The results are summarized in Table 7.

Under the 'new' column in Table 7 are units that did not exist in 1983 but did exist in 1988, these are primarily newly constructed units but could also include units converted from non-residential uses. 14,175 (36%) of the 38,875 new units added to the housing stock between 1983 and 1988 were in rental units; an average of 2,835 new rental units per year.

Under the 'lost' column are units that were in residential use in 1983 but were not in residential use in 1988. The dwelling units on these properties were either demolished or converted to non-residential uses. The tenure type is their 1983 tenure type. A total of 3,276 rental units were lost representing 80% of the total number of lost units. The 3,276 rental units and 457 vacant units (predominantly apartments) that were either demolished or converted to non-residential uses included:1,200 apartments, 1,000 rowhouses, and nearly 300 triplex to sixplex units.

Under the 'conversions' column in Table 7 are properties that were in residential use in both 1983 and 1988. Losses and gains in the total number of units in this category are the result of changes in the number of dwelling units in these residential properties, for example, by conversions from single detached dwellings to duplexes or triplexes and by deconversions of previously converted dwellings. There was a net loss of 131 units through conversions between 1983 and 1988. The losses and gains indicated in the tenure types within the conversion category were (apart from the 131 units that were lost) largely the result of a shift from occupied to vacant units from 1983 to 1988.

Table 7

Gains and Losses By Tenure Type
RMOC - 1983 - 1988

	Lost	Conversions	New	Net
Owner Occupied	-423	-2,295	21,738	19,020
Tenant Occupied	-3,276	-101	14,175	10,798
Vacant	-457	2,265	2,962	4,770
Total	-4,156	-131	38,875	34,588

Source: Housing Occupancy Analysis System (derived from Provincial Assessments 1983 and 1988)

HOAS indicates that, in total, an average of 655 rental units a year[1] in 1988 are being lost in Ottawa-Carleton through demolition, conversion or deconversion. Most of the rental units lost (76%) would have been located in the city of Ottawa.

4.0 PROJECTIONS

Recent household demand projections assume a small increase over 1986 levels in the incidence of renting. Reasons for the increase in renting include: escalating house prices and poor equity growth prospects discouraging first time buyers; a shift in the population age structure to an older population who have a greater propensity to rent; an increase in alternatives to ownership after retirement (retirement and life-care communities, co-op housing, congregate living, made-to-convert housing, life tenancies, shared equity leases); an increase in immigrants, who will tend to rent initially. Despite predicted increases in the incidence of renting, the overall proportion of owner occupied units will increase because of the large numbers of people in the middle age cohorts who have a strong predilection toward ownership.

Approximately 44% of new households between 1986 and 2011 are projected to be rental households. As Table 8 shows, allowing for a vacancy rate between 2% and 3% in new rental units, approximately 2,460 to 2,590 new rental units will be required per year to 2011. If we assume a demand of 1,000 social housing units per year[2], then 1,460 to 1,590 new market rental units will be required each year.

5.0 LAND SUPPLY

Land supply does not appear to be an impediment to rental housing production. In 1989, there was a 5.6 year supply of registered or draft approved vacant land zoned for apartments (55 ha) and a 1.9 year supply zoned for multiples (40 ha). There was an additional 227 hectares in registered and draft approved land defined as mixed and 447 hectares of land for apartments, multiples and mixed use with plans pending.[3]

Table 8

Projected Average Annual Household Demand

	Additional Households Per Year	Owned	Rented	New Rental Units Required*
1986-1991	6,195	3,536	2,661	2,628-2,743
1991-1996	5,758	3,294	2,464	2,415-2,540
1996-2001	5,259	2,882	2,377	2,402-2,451
2001-2011	5,398	2,873	2,525	2,475-2,603
1986-2011	5,602	3,092	2,510	2,460-2,588

* Allowing for a vacancy rate of 2-3% in new units.
Source: RMOC Planning Dept.

---

1 This figure is however much higher than figures reported by area municipalities. It should be noted that municipalities would not be aware of all conversions.

2 See RMOC, Social Housing in Ottawa-Carleton, August 1990, p 21.

3 RMOC, Vacant Urban Residential Land Survey, 1989 Update.

6.0 RENT REVIEW

Rent controls were first introduced in Ontario as a temporary measure in late 1975. They were extended indefinitely in 1978 and were substantially modified in 1986. Since their inception there has been a controversy over whether they should be eliminated, changed or maintained. The building industry has warned that they will result in a decline in rental construction as well as a deterioration of the existing rental stock, as landlords will lack the incentive to maintain their buildings. Tenant groups, on the other hand, warn that removing controls would result in a drastic increase in households with affordability problems.

A great deal has been written about the effects of rent controls on rental markets in Ontario and throughout the world. The Commission of Inquiry into Residential Tenancies (the Thom Commission) alone produced over 30 research studies on the Ontario rental market in the early to mid 80s. The conclusions drawn from these studies seem to have not been definitive, probably because it is not possible to determine what would have happened to the rental market in Ontario if rent controls had not been introduced.

Rent controls are opposed by some, on the basis that they distort and inhibit the functioning of market dynamics. The argument is that if these market interferences were lifted the market equilibrium would be reestablished. Vancouver's experience seems to counter this argument. Vancouver's rent controls were abolished in 1983. However the market failed to respond with an increase of new rental units. The demand remained high and resulted in sharp rent increases.

The current rent review system, which came into effect in 1986, allows increases based on the rate of inflation, as opposed to a cost pass-through as was previously the case. According to Smith (1988)[1] the new regulations give landlords enough freedom to earn adequate returns on their investments and rental projects should not be inhibited because of economic constraints of rent review. Certainly, tenant organizations feel that the allowable rent increases are excessive.

On balance, there would appear to be no conclusive evidence that the removal of rent controls would lead to a rapid increase in the number of market rental units being built. Since the fear of more stringent controls may be an important factor in preventing new rental construction, even removing rent controls is not likely to result in a higher construction level because the possibility of reinstating controls would always be there.

Along with the rent review legislation, the Rental Housing Protection Act (Bill 11), introduced in 1986, provides additional security to tenants as well as a protection to the rental housing stock. Bill 11 prohibits the demolition, conversion and renovation requiring tenant eviction of rental residential units. However, there are some indications (Smith 1988) that Bill 11 may have the effect of accelerating the deterioration of the older rental stock. Under the Bill a developer seeking approval for demolition, conversion, or renovation must show that the building is unsafe. This provides a perverse incentive to allow buildings to deteriorate.

---

1 Lawrence Smith, "Economic Implications of Ontario's New Housing Legislation, Bills 11 and 51," Canadian Public Policy, XIV:4:390-398, 1988.

7.0 PROGRAMS TO STIMULATE PRIVATE RENTAL CONSTRUCTION

Most of the major government programs (loans or grants) designed to stimulate private rental construction ended in the mid-80s. At the moment the only program designed to encourage the creation of rental units is Convert-To-Rent. This program was originally intended to encourage the conversion of unused non-residential buildings into rental housing. It has since been expanded to include the addition of dwelling units to existing residential properties. Very few units have received funding under this program in Ottawa-Carleton.

The major government programs that have been offered in the past are briefly described below.

Assisted Rental Program (ARP, 1975-79) A federal program providing interest free loans to private developers of rental properties. It was designed to ensure the production of moderately priced units.

Ontario Rental Construction Grants (ORCG, 1977-31) A provincial program intended as a supplement to ARP when ARP loans were not sufficient.

Multiple Unit Residential Buildings (MURB, 1974-82) A federal tax deferral program designed to encourage multiple unit rental projects.

Ontario Rental Construction Loan Program (ORCLP, 1981-1982) A provincial program providing interest free loans to private developers to build new rental projects and convert non-residential projects to rental units, especially in areas with low vacancy rates.

Canada Rental Supply Plan (CRSP, 1981-83) A federal initiative giving interest free loans to private developers to encourage rental construction in areas with low vacancy rates.

Renterprise (1986-88) A provincial interest free loan program designed to encourage the construction of moderately priced rental units.

Low-Rise Rehabilitation Program (1986-1990) A provincial program phased out in early 1990 which offered assistance to landlords to upgrade rental units to municipal standards in buildings of less than five stories and built before 1960. Although this program did not directly support the construction of new rental accommodation, it did help to maintain the existing rental stock. A similar federal program, the **Residential Rehabilitation Assistance Rental Program (RRAP Rental, 1976-89)** was cancelled in 1989.

Since the early 1970's, most private sector rental units have received some type of government assistance. Also since 1980, most of the private rental units subsidized by the MURB program, the ARP and CRSP programs have been registered as condominiums from the outset to avoid municipal condominium conversion regulations. Because of program regulations it is expected that many of these units will be lost to the rental stock when program restrictions expire.

While most direct subsidy programs designed to stimulate or maintain private rental construction have been eliminated, the City of Ottawa has recently initiated a pro-active program to ensure that the existing rental stock is adequately maintained. In addition to the existing enforcement of standards on a complaint basis a program of maintenance and occupancy standards enforcement at selected privately owned rental residential properties has been undertaken. This is intended to prevent rental accommodation from being downgraded and eventually removed from the rental market.

8.0 SUMMARY OF FINDINGS

The following highlights the key findings affecting the supply and demand of private rental housing in Ottawa-Carleton :

- The main characteristics of the new private rental market over the past decade have been a large increase in the production of condominium units which are rented and a shift to higher priced rental units. Nearly 60% of the new rental units built between 1983 and 1988 were in condominium buildings.

- Almost 70% of the Region's rental households are located in the City of Ottawa. Both Ottawa and Vanier have a significant proportion of their population living in rental housing.

- Newly completed units were approximately 28% more expensive than the average rental unit. Most vacancies occur among more expensive units.

- Despite rent review legislation, rents have increased faster than the rate of inflation. The average rent for a 1 bedroom unit in Ottawa-Carleton increased by 65% between 1981 and 1989. During the same period, the C.P.I. rose by 51%.

- There has been a net loss of 6,740 lower priced market rental units between 1981 and 1989 as a result of demolition, conversion or increases in rental prices.

- There is an increased affordability problem among tenants particularly for singles. In 1986, 37% of all tenants in market housing were paying more than 30% of their income on rent.

- The vacancy rate has been fairly constant since early 1986 (averaging 1.6%) but under the 2-3 % range expected for a healthy rental market.

- The number of privately initiated rental unit starts has been fairly constant since 1981 except for 1988 and 1989 where there has been a sharp decrease due primarily to high interest rates and a surplus in the new stock of condominiums.

- It is projected that approximately 1,500 new private rental units will be required each year, up to year 2011. This is in addition to 1,000 social housing units needed each year.

9.0 CONCLUSIONS

Ottawa-Carleton is experiencing a moderate overall shortage of market rental accommodation. Over the past five years the vacancy rate has averaged 1.6% which is below the 2-3% needed for a healthy rental market. Rental accommodation at the lower end of the price scale is even more scarce. Vacancy rates for rental units built before 1976, which are generally the more affordable units, are significantly lower than for newer rental units. Furthermore, there has been a 32% loss in the number of lower priced units between 1981 and 1989. Most of the losses of rental units either through demolitions, fire or conversions are occurring inside the Greenbelt where the bulk of affordable rental units is located.

The pattern of rental unit type reflected in construction and losses of rental units will tend to make this shortage of affordable rental units get worse in the coming years. By far the largest share of new rental unit construction is in the form of higher priced condominiums for rental.

This trend is likely to continue. The construction of many new low priced rental units is unlikely in the current economic environment. The favourable economic returns produced by condominium development and high priced rental units make these type of projects more attractive than affordable rental projects. In addition, if the privately initiated rental starts were to remain at 1988 and 1989 levels it could have serious effects in the overall supply of rental units. Therefore the serious shortage of lower cost private rental units, which already exists, is likely to get worse.

Since the early 1970's most private sector rental starts have been subsidized (loan, grants, tax shelter). There are now no major government programs designed to stimulate private rental construction. The actual condominium construction is a response to tax shelter benefits. At this point, it appears that without subsidies the private sector supply of rental units will not meet the demand.

The demand for lower priced rental accommodation cannot be met entirely by non-profit rental housing. The market requires the kind of private lower priced rental units available from the pre 1976 rental stock. However it is in this segment of the market that most units are being lost. Market shortages in the private rental sector, particularly in the low priced stock, are forthcoming. If the private housing market will not supply enough new affordable rental housing, it becomes even more important to protect, maintain and improve the older rental housing stock. Opportunities exist for area municipalities to protect the existing low priced rental stock through preventive maintenance measures. The pro-active maintenance and occupancy standards program, initiated by the City of Ottawa, may be a useful model for the region. The experience should be closely monitored and, if successful, it could be repeated in other municipalities.

This brief review of private rental housing in Ottawa-Carleton has pointed out that the supply of private rental units, particularly "affordable" units is not meeting the existing demand. Furthermore there are some indications that the projected demand may not be addressed.

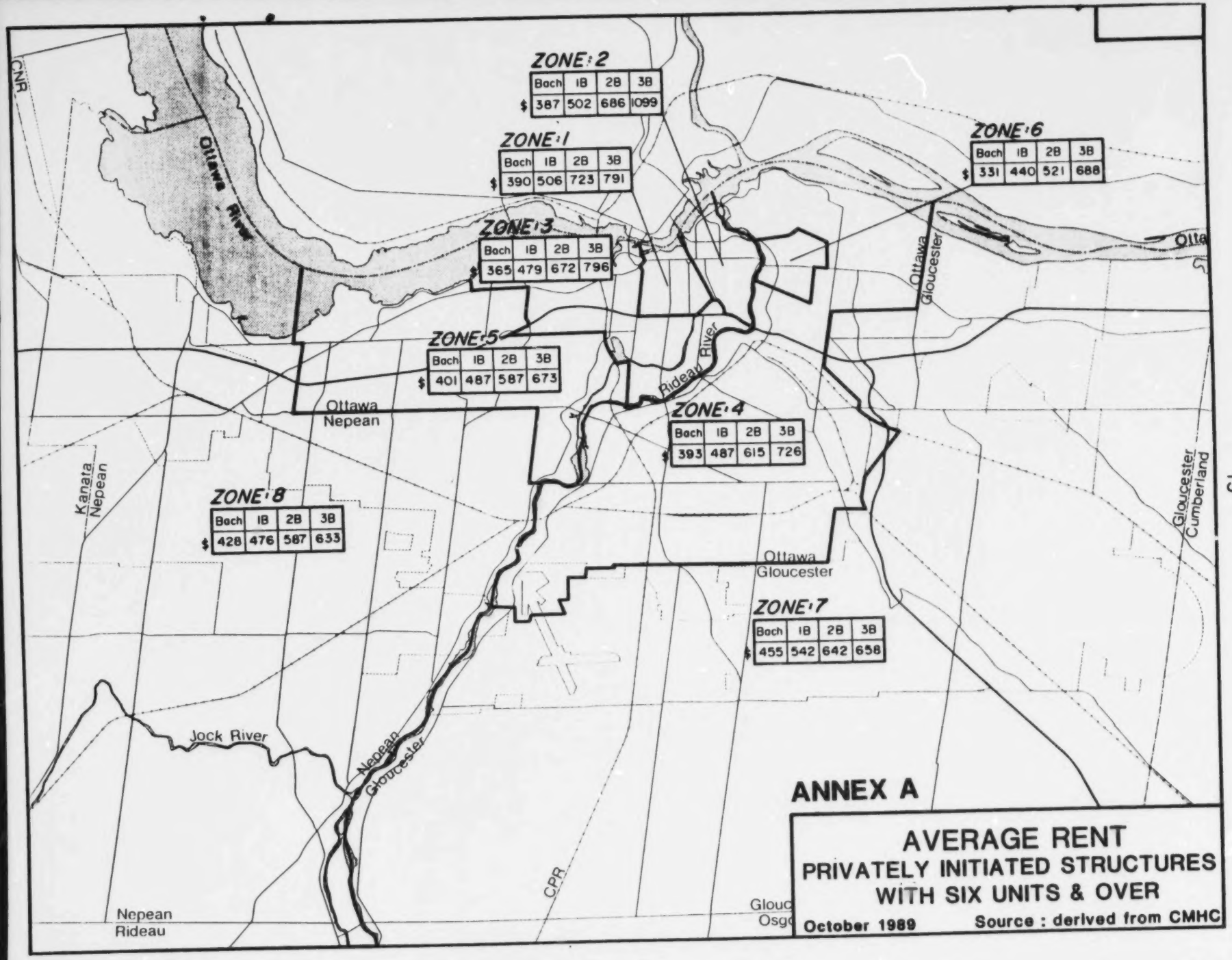
A clearer understanding of the many factors affecting the supply of the private rental stock is necessary to determine what actions will be required to maintain a healthy private rental housing market. The problems facing rental housing in Ottawa-Carleton are also common to other municipalities in Ontario. As well, many of the issues affecting the supply of private rental housing are directly related to existing provincial legislation.

10.0 RECOMMENDATIONS

There are limited options for the Region to become directly involved in improving the availability of rental accommodation in Ottawa-Carleton. The problems in the rental housing market affect all parts of Ontario and would be more appropriatelyconsidered by the Province. Where the Region can contemplate action, it must be in partnership with concerned groups. In this context, it is recommended that :

- the Province examine the considered effects of the Residential Rent Regulations Act, the Landlord and Tenant Act and the Rental Housing Protection Act on the supply of the private rental stock and propose new ways to protect, maintain and improve the quality and the quantity of private rental housing;

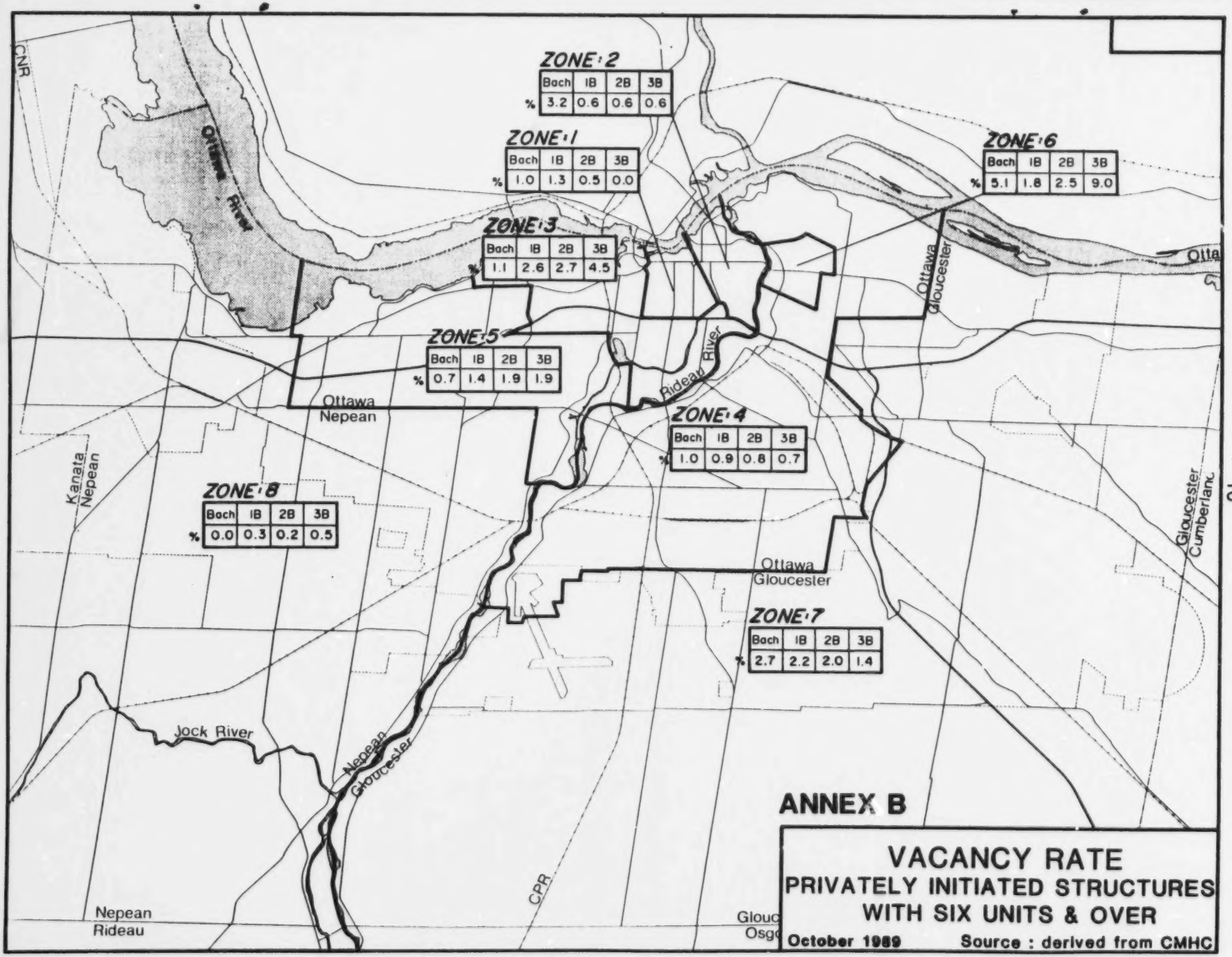
- the Region undertake to consult with the Ottawa-Carleton Home Builders Association to explore potential incentives for the building of private rental units.



ANNEX A

AVERAGE RENT
PRIVATELY INITIATED STRUCTURES WITH SIX UNITS & OVER

October 1989 **Source : derived from CMHC**


ZONE 2
Bach 1B 2B 3B
% 3.2 0.6 0.6 0.6
ZONE 1
Bach 1B 2B 3B
% 1.0 1.3 0.5 0.0
ZONE 6
Bach 1B 2B 3B
% 5.1 1.8 2.5 9.0
ZONE 3
Bach 1B 2B 3B
% 1.1 2.6 2.7 4.5
ZONE 5
Bach 1B 2B 3B
% 0.7 1.4 1.9 1.9
ZONE 4
Bach 1B 2B 3B
% 1.0 0.9 0.8 0.7
ZONE 8
Bach 1B 2B 3B
% 0.0 0.3 0.2 0.5
ZONE 7
Bach 1B 2B 3B
% 2.7 2.2 2.0 1.4
CNR
Ottawa River
Ottawa Gloucester
Otta
Rideau River
Ottawa Nepean
Kanata Nepean
Gloucester Cumberland
Ottawa Gloucester
Jock River
Nepean Gloucester
CPR
Nepean Rideau
Glouc Osgo
ANNEX B
VACANCY RATE
PRIVATELY INITIATED STRUCTURES
WITH SIX UNITS & OVER
October 1989
Source : derived from CMHC